INFLUENCE OF MICRO-FINANCE SERVICES ON THE GROWTH OF SMALL ENTERPRISES IN KIMININI DIVISION, TRANS-NZIOA COUNTY, KENYA

By

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DECLARATION

This research project report is my original work and has not been presented to any other university or other award.

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DEDICATION

This piece of writing is dedicated whole heartedly to my beloved mum Magdaline Achieng Nakhungu and my dearest wife Jossy .

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS AND ACCRONYMS

CBK : Central Bank of Kenya

EU : European Union

IMF : International Monetary Fund

KBA : Kenya Bankers Association

KIPPRA: Kenya Institute for Public Policy Research Analysis

MFI : Micro Finance Institution

MSE : Micro and Small Enterprises

MSME: Micro, Small and Medium Enterprises

NACOSTI: National Commission for Science, Technology and Innovation

NGO : Non Governmental Organization

OECD: Organisation for Economic Corporation and Development

SHGs : Self Help Groups

SME's : Small and Medium Enterprises

SSE : Small Scale Enterprises

UN : United Nations

ABSTRACT

This study investigated the influence of micro-finance services on the growth of small enterprises in Kiminini Division, Trans-Nzoia County, Kenya. It was guided by the following objectives: Determine the influence of loans disbursement on initiation of small enterprises; Assess the influence of training on the growth of small enterprises; Establish the influence of micro-finance insurance services on growth of small enterprises;and establish whether saving influence the growth of small enterprises.The number of micro-finance institutions in Kenya continues to grow rapidly .However,their wide presence does not correspond with the extend of growth of small enterprises in Kiminini division,Trans-nzioa county Kenya .Furthermore, the analysis of the profile of small enterprises showed that most small enterprises were at their micro-stages, since they employed less than five people and the sector was hugely dominated by commerce sub-sector. The study was carried out in Kiminini Division Trans-Nzoia County and was guided by a conceptual framework developed by the researcher. It also utilized a descriptive survey design. It targeted 2441 small scale enterprises in Kiminini division, the sample size was 344 but only 321 were able to return their questionnaires which were used in the analysis of data. The study mainly utilized the questionnaire and interview schedule to gather information from small enterprises sector and micro-finance institutions. Data collected from the questionnaire was analyzed using the statistical package for social scientists (SPSS) version 17 and then summarized and interpreted. The analysis was presented in tables of frequencies and percentages. The study established that majority of the SSE's could not afford the collaterals in order to secure loans which was a possible explanation for the low numbers of SSEs sourcing their capital from the micro-finance institutions. It also established that the repayment procedures and rules influenced the accessibility of micro finance institution loans for project development. Majority of SSE's had not attended micro finance institution trainings related to their businesses growth. It was also established that some of the SSE's had no time for trainings undertaken by the micro finance institutions due to their busy schedule. The study further established that savings aided the SSE's in getting loans for their business from micro finance institutions which assisted the SSE's in stocking their businesses. Lastly, the study established that most SSE's do not have any micro finance institutions insurance. The study recommends that the there need for a policy that all people engaged in SSE's must undergo some business oriented training before they are issued with a business license. This will assist the SSE owners to possess a little of technical/ entrepreneurial knowledge on enterprise initiation and growth.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Micro finance services have become significantly important globally and more preferably at national levels in developing countries. Microfinance has evolved as an economic development approach intended to benefit low income men and women (Ubom, 2003). According to Asiama (2007), microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Across developing countries, small enterprises are turning to Microfinance Institutions (MFIs) for an array of financial services (Ngugi & Kerongo, 2014). Small scale enterprises comprise 99% of enterprises in the OECD economies and create 50–75% of value added in these countries (OECD, 2010). The existing literature reveals that small scale enterprises play an important role in the sectors of economy all over the world as they account for nearly 99% of the enterprises throughout the European Union (Wielgorka, 2014).

In South Africa, small scale enterprises are seen as ‘an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets (both internally and internationally), enhance productivity and technical change, and through all this stimulate economic development, (Nigrini & Andrie, 2002).

The Kenyan economy has been on a recovery path since 2003, achieving 6.1 per cent GDP growth in 2006 (Government of Kenya, 2007). However, lack of access to finance is seen as a barrier to business growth in some disadvantaged places (Bates, 2010). Therefore, increasing access to finance for small enterprises (SSEs) has become an important goal for many governments and development agencies as SSEs are seen as drivers of economic growth and creators of employment. Despite increasing access to credit, small scale enterprises growth remains a major problem. Ngugi and Kerongo (2014) point out that despite having access to microfinance services, most of the small scale enterprises could not survive third year of incubation period.

Hyman (1989) point out that greater access to credit is especially important for dynamic small- and medium-scale enterprises whose growth potential outstrips the financing attainable from internal or informal sources. According to Wielgorka, (2015) the presence of small- scale businesses in any economy represents a manifestation of a healthy competition and reflects the entrepreneurship of society. Wielgorka (2015) argues that small scale enterprise sector is characterized by high effectiveness of activities and a dynamic approach to the environment and is able to respond to the needs and preferences of the potential customers the fastest. According to Nogalski, and Karpacz (2012), Small scale enterprises represent an important source of innovation and have an essential contribution to creating new workplaces and effect on overall economic development.

The small enterprises (SSEs) play an important role in the Kenyan Economy as source of goods and services and employment (KIPPRA, 2013). Small Enterprises (SSEs) emerging and have been increasing gradually and employing a big number of the working population in Kenya. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. In 2007, the informal sector employed about 6.8 million people (Government of Kenya, 2007) despite the fact that a large number of SSEs operate informally. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).

Small Enterprises in Kenya operate largely informally and this is evidenced by two studies: The 1999 MSE National Baseline Survey and the 2008 KIPPRA Study on MSEs in Kenya (KIPPRA, 2013). Majority of enterprises in Kenya have under 50 employees, especially in trade; and also majority of formal SEs in Kenya operate in the service sector, including trade, construction, finance, real estate and insurance (KIPPRA, 2013). According to Kenya National Bureau of Statistics (2012), the number of employees in the Small scale Enterprise sector increased between 2010 and 2011, while that of medium and large enterprises declined during the same period. This is a clear indicate that small scale enterprise in Kenya is source of livelihood to many hence its growth is necessary.

1.2 Statement of the problem

Small enterprises need both financial and non-financial services to enhance their productivity, profitability and growth. Sievers and Vanderbay (2004) holds the view that access to financial and business development services are essential for growth and development of small enterprises. The micro-finance has become major backbone in the sustenance and survival of small enterprises in Kenya. The number of micro-finance institution in Kenya continues to grow rapidly. However, their wide presence does not correspond with the extent of growth of small enterprises in Kiminini division, Kenya. It is not yet clear whether micro-finances services have significant influence on the growth of small scale enterprises in the study area. Therefore, this study was designed to analyze the influence of micro-finance services on the growth of small enterprises in Kiminini, division (Kenya) and to propose a more effective approach that micro-finance institutions can adopt in order to meet the growth-oriented needs of small enterprises.

1.3 Purpose of the study

The main purpose of the study was to investigate the influence of micro-finance services on growth of small enterprises in Kiminini Division, Trans-Nzioa County.

1.4 Research objectives of the study

The study was guided by the following objectives.

1. To determine the influence of loans disbursement on initiation of small enterprises in Kiminini Division, Trans-Nzioa County.
2. To assess influence of training on growth of small enterprises in Kiminini Division, Trans-Nzioa County.
3. To establish whether saving influences the growth of small enterprises in Kiminini Division, Trans-Nzioa County.

4. To establish the influence of micro-finance insurance service on the growth of small scale enterprises in Kiminini Division, Trans-Nzioa County.

1.5 Research questions

The study sought to answer the following questions:

1. Does loans disbursement influence the initiation of small enterprises in Kiminini Division, Trans-Nzioa County?

2. How does training influence the growth of small enterprises in Kiminini Division, Trans-Nzioa County?

3. Does saving influence the growth of small enterprises in Kiminini Division, Trans-Nzioa County?

4. What are the influences of micro-finance insurance services on the growth of small enterprises in Kiminini Division, Trans-Nzioa County?

1.6 Significance of the study

It is worth mentioning that most researchers have found this area of study very important to the development of socio-economical activities in developing countries like Kenya. This study will be centered on the services of micro-finance institutions and their contributions to the development of small enterprises in Kenya. A study of this nature is very important as it will provide the government with the needed information in designing a policy frame work to enhance the development of small enterprises industry. It will also enlighten the public on micro-finance services that can promote growth of small scale enterprises and effective approach that microfinance institutions can put in place to meet growth-oriented needs of small enterprises.

1.7 Limitations of the study

Since the study covered a few small enterprises in Kiminini division, TransNzioa County, the findings may not be representatives of the whole division let alone Trans-Nzioa County. The limited time of business enterpreneurs limited response to questions due to selling activities. The expansiveness of the division was also a challenge considering the on going construction work on the Kitale- Webuye road. The researcher had therefore been forced to use motorbike 'bodaboda' in order to reach some respondents.

1.8 Delimitation of the study

The study was only limited to Kiminini Division. It was also limited to those who work in micro-finance institutions in Kiminini Division. These microfinance institutions must have been registered by the Central Bank of Kenya. It also limited itself to owners of small scale enterprises.

1.9 Basic assumptions of the study

It was assumed that Kiminini division had micro-finance institutions that contribute to entrepreneurial activities that can lead to sustainable growth of small enterprises. It was also assumed that the respondents provided correct information as they shared them out with the researcher during the time of data collection.

1.10. Definition of significant terms

Entrepreneurial skills – Entrepreneurial skill were defined as skills related to small business management. These skills are the most important to entrepreneurship productivity, improvement and growth of small enterprises.

Growth – Expansion of Business and related Business activities.

Micro Enterprise – Means commercial enterprise whose capital is not exceeding kshs 20,000 other than technological and consultancy services.

Microfinance: A type of banking service that is provided to low income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

Self-employment – A self-employed person works for himself/herself instead of being an employee of another person or organization, drawing income from trade or business. This can be evidenced through business ownership, business loans, profits, products, innovations, sales, day's activities, customers, adverts and financial records.

Services – Things offered by Micro-finance institution that promote growth of business.

Small scale enterprises – Means a business engaged in commercial activities whose capital is exceeding kshs 20,000 and not exceeding kshs 50,000, other than high technological and consultancy services institutions.It also means a business with less than five employees.

Growth of small enterprises- This implies expansion of business in terms of production, accumulation of assets and opening of more branches.

Insurance – is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment.

1.11 Organization of the study

The project is organized into five chapters. Chapter one covered the introductory part of the study. It also comprises of the background to the study; the statement of the problem; objective of the study and the significance of the study. Chapter two covered the review of the available literature. The review of literature critically analyzed what had been done about the topic vis-à-vis the objectives. From the review of literature a knowledge gap that this study intended to fill was also identified. The chapter also comprises of the theoretical and the conceptual framework. Chapter three outlines the methodology and tools used in the study. It pointed out the research designs used in the study, areas of study, the target population, sample size and sampling procedures and data collection and analysis procedures. This descriptive research sought to provide needed evidence on the influence of microfinance institution services on growth of SSE's in Kiminini division, TransNzoia County. Chapter four dealt with the research findings and discussion as per the objectives of the study. Under each objective, data was presented as follows: introduction (what was done to get the data), presentation of the results, highlights of the results and lastly the interpretation and discussion of the results. Chapter five focuses on the summary of the findings and practical implications. It outlines the main findings of the study as drawn from the results in chapter four. These findings are closely tied to the objectives of the study. This chapter also provides the conclusions as well as the recommendations from the study which were systematically drawn in terms of contribution to practice.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This chapter focuses on the review of related literature on past studies on; the concept for microfinance institutions, the situation for Small Enterprises in Kenya, and empirical review of the influence of various microfinance services. The chapter also discusses the theoretical links between microfinance and small enterprises development and the interrelationship between the study variables in the conceptual framework.

2.2The concept and scope of microfinance services

According to Ledger wood (2002) the term microfinance refers to the provision of financial services to low income client including self-employed. In addition, Robinson (1998) defines microfinance as a development that provides financial services and products such as very small loans, savings, micro leasing, micro insurance and money transfer to assist the very or exceptionally poor in expanding or establishing their Small enterprises. Robinson argues that Microfinance includes provision of a broad range of financial services.

Basu (2002) further elaborates this by describing the core principles of microfinance to include; access to appropriate financial services among the poor. According to Ledgewood, (1999) micro financing is based on the premise that traditional banking sector cannot reach millions of poor for whom small loans could make huge differences. Micro-credit financing starts with the assumption that the poor is willing to pay high interest rates to have access to finance. Although micro-credit financing is considered as one of the most powerful tools for combating poverty, the sector still faces several serious problems . A survey done by the World Bank (2005) confirms that generally, large firms have access to bank credit and other financial services both local and foreign than small firms. The situation is however, different for SSEs who heavily relies on internal funds and retained earnings, this therefore call for empirical study to determine the influence of micro finance services to growth of small scale enterprises. Mead (1998) observes that the health of the economy as a whole has a strong relationship with the health and nature of small enterprise sector.

2.3 Micro finance institutions in Kenya

The practice of micro-credit dates back to as early as 1700 and can be traced to Irish Loan Fund System which provided small loans to rural poor with no collateral. Over the years, the concept of micro-finance spread to Latin America, then to Asia and later to Africa. Modern use of the expression micro financing has its roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, were starting and shaping the modern industry of micro-financing (Yunus, 2007; Wahid, 1994).

Micro-finance movement gained momentum in the late 1980s. It emerged with the aim of filling the gap left by banks in providing credit to individuals, medium enterprises which were on the rise during this period (Ogindo, 2006). In the early

1990s with the opening up of political space and ensuing economic disturbances, the need for credit by individuals, and various enterprises increased and this led to the recognition of micro-finance institutions in Kenya. Kamau, (2010), notes among the pioneer MFIs in Kenya are Equity Building Society (currently Equity Bank), Family Building Society (currently Family Bank), Faulu Kenya and K-Rep. Microfinance Institutions (MFIs) in Kenya were established using either an NGO or a Savings and Credit Cooperative Society framework. Ogindo, (2006) argues that MFIs have been important sources of credit for a large number of low income households and MSEs in the rural and urban areas of Kenya. According to Kamau, (2010) the MFIs developed and offered new, innovative and proper modes of financing low-income households and SSEs based on sound operating principles. Since their inception, MFIs have greatly contributed to social-economic empowerment to the beneficiaries and their dependants.

2.4. The Concept of small scale enterprise and Growth.

It is evident from literature that not all small business are growth oriented and for certain firms growth is a voluntary choice (Masurel and Montfort,2006).An empirical study of SSEs growth pattern by Klvereid and Bullvag (1996) concluded that growth , intentions may be used to predict actual growth ,that past intentions are related to later intentions, and that change in growth intentions are associated with changes in growth patterns. Arbaurgh and Sexton (1996) provided empirical evidence that most new firms do not grow into large ones and that there is no relationship between the ages of firm and its size. Chaston and Mangles (1997) opined that there is no single strategy to firm growth. Hence, the probability of achieving growth is increased by avoiding excessive emphasis on single –strategy transformation initiatives, and by giving different capabilities priority depending upon the development stage of the firm. They identified three factors that could limit the growth of small business to include ability, need and opportunity.

The issue of what constitutes a small enterprise is a major concern in this literature. Different authors have usually given different definitions to this category of business. Small enterprises have indeed not been spared with the definition problem that is usually associated with concepts which have many components. Some definitions categorize firms in terms of their size. On the other hand, some researchers attempt to use the capital assets while others use skill of labour and turnover level. Others define Small enterprises in terms of their legal status and method of production. Van der Wijst (1989) considers small business as privately held firms with 1 – 9 people employed, respectively. Jordan *et al* (1998) define Small enterprises as firms with fewer than 100 employees and less than €15 million turnover. Michaelas *et al* (1999) consider small independent private limited companies with fewer than 200 employees. Lopez and Aybar (2000) considered companies with sales below €15 million as small. Storey (1994) tries to sum up the danger of using size to define the status of a firm by stating that in some sectors all firms may be regarded as small, whilst in other sectors there are possibly no firms which are small. The Bolton Committee (1971) first formulated an "economic" and "statistical" definition of a small firm.

Weston and Copeland (1998) hold that definitions of size of enterprises suffer from a lack of universal applicability. Additionally the definitions change over time and depend largely, on a country's level of development . Even in the same country, different institutions adopt different definitions. The criteria used in the definitions include capital investment (fixed assets), annual turnover, gross output and employment (Salami, 2013).

The small enterprises sector has continued to play an important role in the Kenyan economy. The sector's contribution to the gross domestic product (GDP) increased from 14% in 1993 to about 20% in 2007. The (SSE) or informal sector provided 78% of total employment and contributed over 57% of the new jobs created in 2005/2006 according to the economic survey of 2007. The Economic Survey of 2012 estimated that the contribution to the GDP by this sector currently stands at over 25%. The sector therefore plays a key role in employment creation, income generation and is the foundation for industrializing the country in the near future. In Kenya, there are about 2.2million micro, small enterprises (SME GOK report, 2007) of which 88% are non-registered.

Small enterprises are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated growth and rapid industrialization have been achieved (Koech, 2011). Small enterprises have been recognized as socio-economic and political development catalysts in both developed and developing economies (Mwangi, 2011).

Over the years, the government has recognize the importance of the SSE sector as a source of employment, income and inexpensive goods and services, making a contribution to the country's social and economic development and poverty reduction. As a result, the government introduced policies to develop the small enterprises, for instance Sessional Paper No. 2 of 1992 on Small Enterprise and Jua Kali Development in Kenya, and Sessional Paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth Employment Creation for Poverty Reduction, which recognizes the need to create an enabling environment for SSEs.

The Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) targeted creating 500,000 new jobs in Kenya annually between 2003 and 2007. The 2006 Economic Survey reveals that in 2005, Kenya almost met this target by creating 458,900 jobs, 90 per cent of which were in the informal sector. As of 2006, 87 per cent of all new jobs outside small scale agriculture were generated from the informal sector (Government of Kenya, 2007). The Kenyan small scale enterprise cover all small scale activities that are normally semi-organized, unregulated and uses low and simple technologies and employ few persons. Majority of the small scale enterprises such as retailers, hawkers and other service providers fall in this sector (Government of Kenya, 2007).

Maalu, et. al. (1999) discussed the role of Small Enterprises in Kenya and notes the important role it has played and continues to play. Mbugua (2010) examined the impact of micro finance services on financial performance of Small Enterprises in

Kenya found that micro finance services enhance financial performances of Small Enterprises. Several studies on the financial challenges faced by Small Enterprises found out that inadequacies in access to finance are key obstacles to Small Enterprises growth (Ngugi, 2009; Kioko, 2009 and Makena, 2011). Kemei (2011) studied on the relationship between microfinance services and financial performance of Small enterprises and found that there were positive and significant relationships exist between MFIs loans and Small enterprises performance. Kimoro (2011) in a study on the impact of microfinance services on women empowerment found that microfinance has led to expansion of freedom of choice of women.

A survey of the financial constraints hindering growth of Small enterprises by Koech(2011) found that they include inaccessible capital market, cost, collateral requirements, capital management and cost of registration. Cooper (2012) studied on the impact of microfinance services on the growth of Small enterprises in Nairobi and found a strong positive impact.

2.5 Microfinance Institutions and Loan Disbursement

According to Cook and Nixon(2000), poor management and accounting practices are hampering the ability of smaller enterprises to raise finance .This is coupled with the fact that small businesses are mostly owned by individuals whose personel lifestyle may have far reaching influence on the operations and sustainability of such business.

Koech (2011) observes that credit is an essential tool for promoting Small Enterprises. Credit can be considered from its ability to energize or motivate other factors of production. In such situations, credit can act as a catalyst that activates the engine of growth, enables it to mobilize its inherent potentials and to advance in the expected direction. Wenner (1995) argued that "Micro-credit is most often extended without traditional collateral". If physical collateral were a requirement for borrowing, most MFI clients would be unable to participate due to their extreme poverty level. The operating cost of MFls especially in developing countries have increased largely by under developed infrastructure and poor communication technology means. This effect leads to increased interest rates for loans compared to MFls operating in developed countries (Maalu, et al 1999).

Wambui (2008) cites interest rates as a determinant of profitability and sustainability of MFls. According to Ledgerwood (2002), the overall objective of MFls is to balance its returns and risk in a way that maximizes the MFI market value to its owners. Relating this objective to interest rates MFls try to earn the highest margin it can, consistent with reasonable stability in the interest margin. Koech (2011) states that the business of banking involves betting on interest rates while Cooper (2012) suggested that the success or failure of a MFI depends on how well the institution buys and sells money. Ogindo (2006) found out that the cost of credit was a major barrier to entrepreneurs when accessing credit in a study conducted to find out the barriers experienced by entrepreneurs when accessing credit/finance.

2.6 Training and Small scale enterprises growth and development

Many Small enterprises owners or managers lack managerial training and experience. The typical owner or managers of small enterprises develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept. King and McGrath (2002) point out that majority of those who run Small enterprises are ordinary lot whose educational background is lacking. Hence they may not well equip to carry out managerial routines for their enterprises.

Education and skills are needed to run micro and small enterprises. However lack of basic skills in business management and entrepreneurship is a major drawback in the growth and development of SSE sector Kenya's Sessional paper No 2 of 2005 proposes the integration of entrepreneurial training into the country's education system, exposure of potential SSE entrepreneurs to modern business management skills and creation of an environment that permits Small enterprises to emerge and flourish, has been a major challenge Research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the SME sector (King and McGrath 2002). As such, for small enterprises to do well in Kenya, people need to be well informed in terms of skills and management. Small enterprises in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running Small enterprises in this sector have at least attained college level education (Mwangi 2013).

The Jua kali informal sector for example has proved that it can be a factor that can boost economic growth in Kenya. However, those who run the businesses in this sector lack adequate business skills mainly attributed to low levels of education. It is not sufficient to know how to produce a high quality product. The producer must also know how to sell it effectively and how to control the financial side of the business and in doing that the entrepreneur must be skilled in business. Enterprise development services can be sorted out into two categories. The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving and as well as persons who want to start up their own business.

The second category of enterprise development service rendered to its clients is the enterprise transformation program which is the provision of technical assistance, training and technology in order to enable existing Small enterprises to advance in terms of production and marketing. Enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are subsidized by the government or an external party since to recover the full cost in providing the services will be impossible by the microfinance institutions. The enterprise development services may be very meaningful to businesses but the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. It has been observed that there is little or no difference between enterprises that receive credit alone and those that receive both credit packages and integrated enterprise development services (Ledgerwood, 1999).

Entrepreneurs who start a business are keen to see it begin, survive and eventually grow. Various barriers, including financial and non-financial problems, hinder their growth. The non-financial barriers include lack of the necessary kills, knowledge and linkages. Lack of cohesive skills training, a skills training policy and strategy are some of the growth barriers. Lack of management training in the SSE sector is evidently a constraint to growth as pointed out by some scholars where the they argued that "lack of business management skills was the major constraint in the development of the small scale enterprises". At the formation stage, the owner-manager is able to run his business but as it grows, he needs to delegate tasks to employees with skills in business management. These include finance, sales, production and human resource management in order to meet the growing needs of the firm.

Training is a key factor for enhancing growth and competitiveness of SSEs in Kenya. This applies particularly to entrepreneurs in Africa, Kenya included, where enterprise have remained small over the years . The Kenya Institute of Management (KIM), through the Centre for Enterprise Development, offers various training programs, such as business management, business start-up and a business plan competition branded Jitihada started in 2009. Academic programs in entrepreneurship development are offered at various universities in the country, for example, Jomo Kenyatta University of Agriculture and Technology and University of Nairobi offers the courses at post-graduate levels. To facilitate growth in the SSE sector, training programs implemented in the country should be designed according to the sector's needs to address its challenges. Through training, the quality of the products and services is expected to improve. However, business development services are required to deliver services that are demanded by the market place. Skills have to be upgraded with the changes in the environment. The SSEs know what training they want and they should be involved in the design and implementation of the courses.

2.6.1 Benefits of Entrepreneurship Training

The key to the success of this venture appears to lie in the identification of the most pressing needs and the development of an appropriate training programme to meet those needs. Undoubtedly, the employees feel that the company is committed to their future and assists them perform their job roles. Indeed, the company is seen to care about its staff (Hogarty, 1993). As businesses reach turning points in their development, managers may need to acquire new skills. This can be achieved through training in order to enhance the economic growth rate. Scholars argues that without an appropriate support framework, such firms may fail to capitalize on their opportunities and argues that for a programme to be successful, firms must link training to their key strategies, forge a networking relationship with employees, redefine individual career paths, map out a plan for continuous learning and use interactive teaching, not lectures.

2.7 Savings in micro finance institution

Saving remains the most important source of finance throughout the business cycle. The survey conducted by Daniel, Mead and Musinga (1995), found out that almost 95% of the interviewed enterprenuers used savings as a primary source of working capital. Savings is seen as necessary even when there is no surplus (Blanchet 1986, 33). If low income SSEs did not save, they would have perished long ago. Peaks and valleys in income are inevitable. Savings provide a hedge against income variability. The accumulation of resources enables small scale enterprises to provide needs of customers. Precautionary savings are particularly important among the households (Zeller et al. 1996). Savings accumulation furnishes an important tool to generate business growth. Direct reinvestment of profits is one option. Investing savings in an immediate form is another option (e.g cash or in bank account). There is evidence that enterprenuers have a higher propensity to save than salaried workers (Huddles 1977)

John Hatch (2010) Micro savings is another product that is increasingly becoming the mainstream of microfinance operations. MFIs and other professional actors are transforming to formal regulated institutions. MFI offers good voluntary savings services which typically attract more savers than borrowers. Micro saving consists of small deposits account offered to lower income families or individuals as an incentive to store funds for future use. They are designed just like normal saving accounts although minimum depots are usually waived or very low allowing users to save small amounts of money and not be charged for the services. People who save are better prepared to cope with any unforeseen expenses. Even in the poorest countries, the poor save. Savings product serves both as a financial instrument (i.e. providing the clients with a financial service) and as a source of funding for micro finance's (i.e. providing micro finances with a reasonable source of financial backing).

2.7.1 Factors that Influence SSE's decision to hold a Savings Account

Security of savings, confidence and trust in the repository of the savings i.e. "the trust factor"; Quick access to deposits is especially crucial for poor households in the case of emergencies and investment opportunities that emerge suddenly. The transaction costs e.g. the cost of making a deposit and of making a deposit and of liquidating it. Time spent travelling to financial institution, waiting in line and on paper work can represent such high costs that seemly positive real rate of return becomes negative. Thus small savers will rather turn to informal means of savings. There is evidence that rural savings take place even under negative real returns offered by the informal sector. Despite this, demand for savings product by all savers, including the poor increases as interest rates increase.

There a number of advantages that come along with saving mobilization. For instance, deposits from clients are less volatile sources of funds than alternative commercial sources; helps micro finances expand and deepen their outreach. A larger number of SSEs may rely on savings before they have an effective demand for credit. This stable funding source can facilitate the expansion of lending operations and hence benefit poor borrowers. Attracting depositors may instill a demand-oriented and thriftiness in an micro finances operation and thereby increase public confidence. As savers become important stakeholders in the deposit taking institutions, the latter are forced to improve their product variety and efficiency of services. Effective prudential regulation and supervision can increase the public's confidence in an micro finances financial operations. Although mobilizing small and micro savings contribute to self-sustainability by providing the micro finances with cheaper funds than those from interbank market, saving mobilization is not a panacea (something that will put right all troubles) because it also increases costs. It can be expensive because, Micro finances will have to reward savers and the high administrative costs involved in mobilizing and maintaining savings.

2.8 Micro finance institutions insurance

Churchill (2006) refers to micro insurance as a protection of low income people against specific risks in exchange for low premiums and low caps or coverage. Micro means small financial transaction that each insurance policy generates. The target group consists of persons ignored by mainstream commercial and social insurance schemes. Products offered include health insurance, contracts covering properties such as assets, livestock and housing. Personal accidents are also covered. The other product is the business micro insurance which covers against natural calamities whose occurrence could affect sales activities.

The potential of insurance sector in achieving sustainable development lies in its ability to price various types of business risks and to help pay for damage. While insurance, like other financial services has grown in quantitative importance as part of general development of financial institutions, it has also become qualitatively more important due to the increase of risks and uncertainities in most societies. More recently the economic importance of the economic sector has been increasing as part of the liberalization of financial sysystems including (privatization), globalization and conglomerization of financial markets and during the 1990s , the total assets of the insurance companies grew faster than the assets of banks .

There are several ways in which insurance services contribute to economic development (USAID, 2006), by; promoting financial stability for both households and firms; Mobilizing and channeling savings; supporting trade, commerce, entrepreneurial activity and social programs. A study by Web skipper and Grace (2002) indicates that a higher economic growth cannot be explained as well by the individual development of banking or insurance markets as it can by the joint development of these markets.

The public sector is expected to assist in building the institutional and intellectual infrastructure to support the development of a healthy micro insurance market in health business. This is true for business products which are vulnerable to poor selling conditions. Micro insurance is a system by which people, businesses and other organizations make payments to a pool to share risks. Access to micro insurance system enable the entrepreneurs to concentrate more on developing their businesses while mitigating other risks affecting their property, health or ability to work.(Ledgewood, 1999)

2.9. Theoretical links between microfinance and SSEs

Accessing credit is considered to be an important factor in increasing the development of Small Scale enterprises. It is thought that credit augments income levels, increases employment and thereby alleviates poverty. It is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of business technology inputs thereby leading to an increase in business production (Hiedhues, 1995).

The main objective of microcredit according to Navajas et al, (2000) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions. Diagne and Zeller (2001) argue that insufficient access to credit by the poor just below or just above the poverty line may have negative consequences for Small enterprises and overall welfare. Access to credit further increases Small enterprises risk-bearing abilities; improve risk-copying strategies and enables consumption smoothing overtime. With these arguments, microfinance is assumed to improve the welfare of the poor. It is argued that Microfinance institutions that are financially sustainable with high outreach have a greater livelihood and also have a positive impact on small scale enterprises development because they guarantee sustainable access to credit by the poor (Rhyme and Otero, 1992).

Buckley (1997) argue that, the indicators of success of microcredit programs namely high repayment rate, outreach and financial sustainability does not take into consideration what impact it has on micro enterprise operations and only focusing on “microfinance evangelism”. Carrying out research in three countries; Kenya, Malawi and Kenya, Buckley (1997) came to the conclusion that there was little evidence to suggest that any significant and sustained impact of microfinance services on clients in terms of small and medium microenterprises development, increased income flows or level of employment. The focus in this augment is that improvement to access to microfinance and market for the poor people was not sufficient unless the change or improvement is accompanied by changes in technology and or technique.

Zeller and Sharma (1998) argue that microfinance can aid in the improvement or establishment of family enterprise, potentially making the difference between alleviating poverty and economically secure life. On the other hand, Burger (1989) indicates that microfinance tends to stabilize rather than increase income and tends to preserve rather than to create jobs. Facts by Coleman (1999) suggest that the village bank credit did not have any significant and physical asset accumulation. The SSEs ended up in a vicious cycle of debt as they use the money from the village banks for consumption purposes and were forced to borrow from money lenders at high interest rate to repay the village bank loans so as to qualify for more loans. The main observation from this study was that credit was not an effective tool to help the SSEs out of poverty or enhance their economic condition. It also concluded that the poor are too poor because of some other hindering factors such as lack of access to markets, price stocks, unequal land distribution but not lack of access to credit.

A study of thirteen microfinance institutions in seven countries carried out by Mosley and Hulme (1998) concludes that SSEs income tends to increase at a decreasing rate as the income and asset position of the debtors is improved. Diagne and Zeller (2001) in their study in Malawi suggest that microfinance do not have any significant in household income meaning no small enterprises development. Investing in small and medium microenterprises activities will have no effect in raising household income because the infrastructure and market is not developed. Some studies have also argued that using gender empowerment as an impact indicator; microcredit has a negative impact (Goetz and Gupta, 1994). Using a “managerial control” index as an indicator of women empowerment, it came to conclusion that the majority of women did not have control over loans taken by them when married. Meanwhile, it was the SSEs who were the main target of the credit program. The management of the loans was made by the men hence not making the development objective of lending to the women to be met (Goetz and Gupta, 1994). Evidence from an accounting knowledge as an indicator of SSE empowerment concluded that SSEs are marginalized when it comes to access to credit.

2.10 Theoretical framework

According to the *influential theory* of Churchill and Lewis (1983), growth is part of the natural evolution of a firm. The author identifies five stages of growth: existence, survival, success, and takeoff and resource maturity. In each stage of development a different set of factors is critical to the firm’s survival and success. Growth thresholds may exist as obstacles to the transition from one stage to another. Accordingly, in the take-off stage – most relevant in a study of rapid growth – there are two major concerns or obstacles to business growth: the ability of the owner to hire new people and delegate responsibility. The business will also need enough cash to satisfy the greater demand for financial resources brought about by growth. Many smaller local banks and credit unions offer special loans for local business owners that may have lighter restrictions than the larger, national banks. This can offer a huge advantage for small business owners. First, you will be competing against far less people because of the smaller regional area. Second, a credit union or other local bank will be more likely to want to help your community by putting funds into businesses.

The influential theory is relevant to this study because it shows that small businesses have trouble getting the start-up or additional capital that they need. Without a long list of assets or a proven track record, there is no way to show banks exactly how promising your soon-to-be bustling business really is. Luckily, there are places you can turn to for money when the national banks turn you down. This study deals with micro-finances as one of the many places that small businesses can turn to.

2.11 Conceptual framework

The relationship between the independent and dependent variables as illustrated by the following conceptual framework.

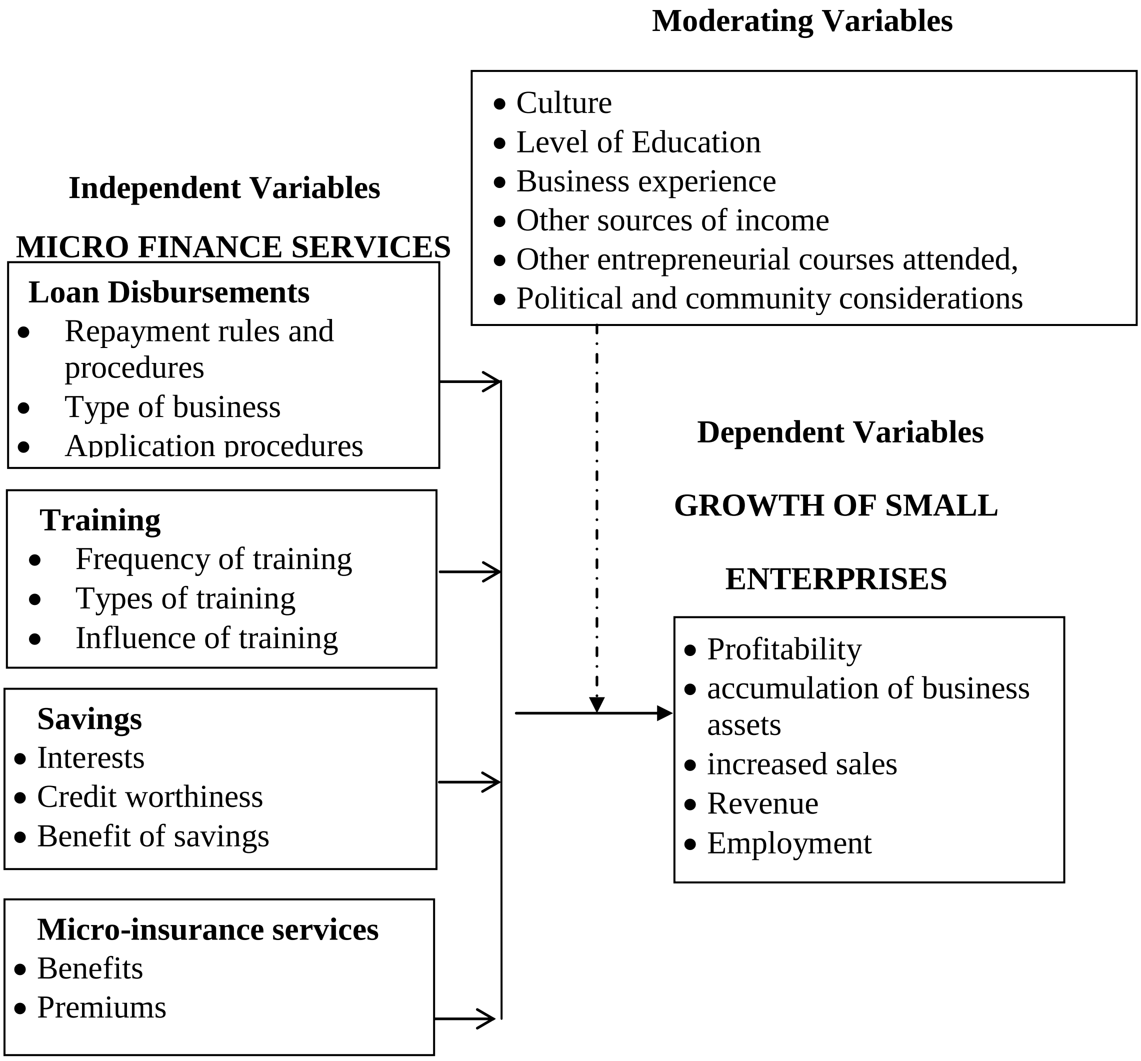

Figure 1: Conceptual framework of the linkages between variables in the study

The conceptual framework developed incorporates the MFI services and operating small enterprises. This enabled the assessment of the influence of MFI services (loan disbursement, training, micro-finance insurance services and Saving). MFI services have impact not only on the SSEs growth but also on the owners and community at large, therefore the conceptual framework developed reflected the outcome of small enterprises growth as based on the assumption that improved enterprises performance is signified by an increase in the small enterprises entrepreneurs' wealth and overall standard of living since the profit obtained from small enterprises activities enables the small enterprise owners to meet their livelihood expenditure and creates the possibility of a trickledown influence.

According to chijoriga and Cassimmon (1999) transaction costs comprise costs involved in finding a lender, mismatch costs and risk premium; all of which increase the gross cost of credit for the borrower. The conceptual framework reflects the influence of transaction cost on small enterprises when accessing and servicing MFI services. High transaction costs have the influence of limiting entrepreneurs' performance and outcomes. This study will use profits, accumulation of business assets, revenue and employment as indicators of growth among small enterprises that have benefitted from MFIs. Culture, level of Education, business experience, other sources of income, other entrepreneurial courses attended, political and community considerations will be used as moderating variables.

2.12 Knowledge based Gap

Several studies and surveys have been conducted about the microfinance services across the world and more so in developing countries. The existing information focused much on constraints, financial benefits and strategies to establish the microfinance institutions to deliver the services. But this has faced various shortcomings for the fact that the main concerns, goals have not been achieved. However, the available literature from various scholars seem to be inadequate to explain the deeper relationship between the micro finance services and the growth of small enterprises, small studies illustrate the growth rate of small enterprises given the available Micro Finance services. This study was therefore set to minimize the existing gaps through an investigation into Microfinance services and the growth of small enterprises. The above related literature has mainly introduced the finances academic research and business enterprises to the discipline of micro finance services already that had been established. Many of the tools, models, and frameworks in the existing was finance literature can be brought to bear on the problem of limited growth of Small-scale and later have the potential to significantly move both the theory and practice of micro-finance forward. Micro-finance offers the finance discipline viable to make a significant difference in the growth of small enterprises in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section focuses on the research techniques that were adopted for this study with the aim of achieving the research objectives. It elaborates the research design and provides details regarding the population, sample and sampling techniques and the research instruments used in collecting data for the study. It also discusses the piloting instruments, validity and Reliability of the instruments data analysis technique, operationalization of variable and ethical consideration.

3.2 Research design

According to Kothari,(2004) a research design is the arrangement of conditions for collection and analysis of data in amount that aims to combine relevance to research purpose with a keen interest on procedure. Descriptive survey design was adopted for this study to determine the influence of micro-finance services on the growth of small enterprises in Kiminini division. This is a method of collecting information by interviewing and administering questions to a sample of individuals (Orodho, 2003). The design was considered an appropriate tool for collecting information when goals of the research call for quantitative and qualitative data (Polland, 2005). A survey is an investigation about the characteristics of a given population by means of collecting data from a sample of that population and estimating their characteristics through the systematic use of statistical methodology. The survey is a non-experimental, descriptive research method. It tends to be quantitative and aims to collect information from a sample of population such that the results are representative of the population within a certain degree of error.

Survey research design was chosen because the sampled elements and variables that was studied was simply being observed as they were and can be used to study large population. This was done without making any attempt to control or manipulate them. Also the design is chosen because quantitative information needs to be collected through the use of standard and structured questionnaire.

3.3 Target population

The target population refers to the population to which a researcher wants to generalize the results of the study (Mugenda and Mugenda, 1999). The target population for the study comprised of 2441 small enterprises in Kiminini division. An enquiry from the Trans-Nzoia county government shows that 2441 businesses have registered from 2002 to December 2015. In addition, a total of 5 registered micro-finance institutions operate in Kiminini division. These institutions are registered with the Central Bank of Kenya. For the purpose of this research, only registered micro-finance institutions were used.

Table 3.1 : Target population by locations of Kiminini division

Locations	Number of SSE's
Kiminini	1440
Matunda	200
Sikhendu	501
Baraton	240
Weonie	60
Totals	2441

3.4 Sample size and sampling procedure

3.4.1 Sample size

A sample is a small group obtained from the accessible population (Mugenda and Mugenda, 1999). The sample size was determined using formula proposed by Yamane (1967) which states; n = N/1+N (e)2 where

n=sample size

N=Target population

(e)=Level of precision (sampling error)

The sample size derived from target population was 344 small scale enterprises and 5 managers from micro-finance institutions.

3.4.2 Sampling procedure

The names of all 2441 small enterprises were written on paper folded and mixed thoroughly in a bowl. The researcher picked one folded paper at time without replacement until the needed number of 344 small enterprises was obtained for the study. Simple random sampling was used because it gave all respondents equal chances of being selected. Purposive sampling was used to select key informants of study who were deemed to hold important information in relation to the research problem.

Thus, a sample of 344 SSE's was used in the study. Probability proportional to size (PPS) sampling technique was then used to determine the sample size per location. The following formula (Lohr, 1999) was thus used in working out the sub sample proportions.

$$s = \frac{pS}{\mathbf{P}}$$

Where s = Sub sample for the division or subject; p = Sub- population for each location or subject; S= Total sample of study (344 SSE's); **P** = Total number of SSE's (2441) SSE's in Kiminini division).

The use of PPS approach at this stage was to improve the accuracy for the given sample size by concentrating samples on large elements that have the greatest impact on population estimates (Pedhazur and Schmelkin, 1991). Thus the sub sample proportions for the SSE's were as shown in the Table 2.

Table 3.2: Sample size by locations of Kiminini division

Locations	Number of SSE’s	Sample size
Kiminini	1440	203
Matunda	200	28
Sikhendu	501	71
Baraton	240	34
Weonie	60	8
Totals	2441	344

3.5 Data Collection Instruments

The study employed the use of questionnaire and interview schedule. The questionnaire was mainly used to gather information from entrepreneurs in the small enterprises sector. The interview guide was also used to gather information from some micro-finance institutions where additional data will be needed. The use of questionnaire allowed the researcher to collect large amount of data in a relatively short time. The availability of a number of respondents in one place made it possible to economize time and provides a high proportion of usable responses (Best and Kahn 2006).The questionnaire was designed by the researcher.

3.5.1 Piloting of the instruments

A pilot study was carried out as a technique of testing the validity of the data collection instruments especially the questionnaire and interview schedules. In this study a sample of 10 respondents was selected from the neighbouring Saboti division. Piloting also helped to single out any unforeseen limitations that could adversely influence the results of the findings of the research. Such limitations were addressed before the actual study started in a bid to mitigate their influence on study outcome. It was carried out to ascertain that the questions are valid, the words were well understood by respondents and all the questions are interpreted similarly by all the respondents (Polland,2005).

3.5.2 Validity of the instruments

Validity refers to the degree to which research instrument measures what it purports to measure (Mugenda and Mugenda 2003).

Three aspects of validity were determined for the instruments. Face validity was established by assessing the items on the instrument and ensuring that they appear relevant, meaningful and appropriate to the respondents. Content validity was determined by the supervisors who looked at the measuring technique and decided whether it measured what it intended to measure. They carefully examined the items on the instruments and ascertained that the instruments contained adequate traits expected to measure the domain under study. Construct validity was obtained by correlating the scores on one instrument with scores from another instrument.

3.5.3 Reliability of the instruments

The reliability of the instrument looked at the extent to which the tool yields the same results on repeated trials hence consistence may be realized. In the study reliability followed the following steps, developed questionnaire were given to a few identical respondents subjects not included in the main study the answered questionnaires will be answered manual. After two weeks the same questionnaire was administered to the same group of subjects. The question responses were again scored manually. The two sets of score were then correlated to determine the degree of accuracy. A reliability of 0.76 the instrument was thus established by computing a test-retest reliability coefficient. A high correlation of 0.7 and above indicates that the measuring instrument measuring the same construct (Kathuri &Pals,1993).

3.6 Data collection procedures.

On approval of the proposal by the department of extra-mural studies, the researcher got an approval letter from the school of Continuing and Distance Education (University of Nairobi). The letter was used by the researcher to acquire a research permit from the National Commission for Science, Technology and Innovation. (NACOSTI). Then the researcher got field entry permission .The questionnaires were hand delivered by the researcher to the small enterprise and given time of around 30 minutes to respond to the questions. The questionnaires was administered in a period of three weeks.

Given that managers of micro-finance institutions that provide services to small enterprises were few in number, the interviews were only conducted by the researcher. Before the interview the respondents were given an initial introductory and motivating talk by the Researcher to prepare them psychologically and also to inform them the rationale for the study .The research was however as brief as possible to avoid boredom.

3.7 Data analysis techniques

Data collected from the questionnaire was analyzed, summarized and interpreted accordingly with the aid of descriptive statistical techniques such as frequency and simple percentage. . The quantitative data was analyzed using statistical package for social scientist (SPSS). The findings were then presented in the form of tables, and frequencies.

3.8 Operationalization of variables

Table 3.3 : Operationalization of variables used in the study

	Variable	Scale	Analysis Techniques
Independent Variable	Loan Disbursements	ordinal	Frequency and percentages
	Training	Ordinal	Frequency and percentages
	Savings	Nominal	Frequency and percentages
	Insurance policy	Ordinal	Frequency and percentages
Dependent Variable	Profitability	Nominal	Frequency and percentages
	accumulation of business assets	Nominal	Frequency and percentages
	Increased sales	Nominal	Frequency and percentages
	Employment	Nominal	Frequency and percentages
Moderating Variables	Culture, level of education, business experience, other sources of income and entrepreneurial courses attended.	Nominal	Frequency and percentages

3.9 Ethical consideration

The researcher used the research permit to inform Division administration on the intended study .It was also used to seek permission from the respondents who participated in the study .The nature and purpose of the research was explained to the respondents by the researcher .Four main areas was addressed throughout the study as ethical concerns: avoiding harm to participants, informal consent, privacy and confidentiality and avoiding deception. The researcher respected the individuals' rights to safeguard their personal integrity. No names or personal identification numbers reflected on the questionnaires except the numbering for questionnaires, which was for purpose of identification of data during data editing.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter covers data analysis and presentation. The study objective was to investigate the influence of micro-finance services on growth of small enterprises in Kiminini Division, TransNzioa County. In order to attain this, the study determined the influence of loans disbursement on initiation of small enterprises in Kiminini Division; assessed the influence of training on growth of small enterprises; established whether savings influence the growth of small enterprises and established the influence of micro-finance insurance service on the growth of small micro enterprises in Kiminini Division. Three different methods of data collection were used in the study, this includes the administration of questionnaires, personal interview and extraction of secondary data from the Micro-finances' records. The data were analyzed, and presented on the basis of the four research questions earlier formulated for the study. The questions were structured to focus on variables that are relevant to loans disbursement, training, savings and micro-finance insurance service of micro and small enterprises in Kiminini Division, which also formed the basis of the research questions.

4.2. Questionnaire Response Rate

The study targeted 2441 small sized enterprises in Kiminini Division. Owing to the spread of SSE'S within Kiminini division, the study adopted a Stratified random sampling technique to select a total of 344 SSEs within the five locations (Kiminini, Matunda, Sikhendu, Baraton and Weonie) of Kiminini Division. To this end, a total of 344 SSEs were expected to participate in the study. A response rate of 93.31% was therefore attained, with only 321 SSEs managing to respond. According to Mugenda and Mugenda (1999), a response rate of 50% and above is adequate for analysis and reporting; a rate of 60% and above is good and a response rate of 70% and over is excellent. It therefore goes that the study registered an excellent response rate. This is reflected in the table below.

Table 4.2.1 Response Rate Questionnaires

	Frequency	Percent (%)
Returned	321	93.31
Unreturned	23	6.69
Distributed	344	100.00

4.3. Demographic Information

This section shows the respondent's demographic information as regards their age, gender, number of SSEs and business type.

4.3.1 Respondents' Age

The study sought to establish the age categories of the population engaged in small enterprise in the study area. The findings are presented in Table 4.3.1.

Table 4.3.1: Respondents' Age Categories

Age bracket	Frequency	Percentage
18 – 22	29	9.05
23 – 27	131	40.81
28 – 32	92	28.66
33 – 37	48	14.95
Above 37	21	6.55
Total	321	100.00

From Table 4.3.1 it is observed that majority (40.81%) respondents fall within the age bracket of 23-27 years; 28.66% were within 28-32 years; 14.95% were within 33-37years; 9.05% were within18-22 years; while the remaining 6.55% were above 37years. This implies that the majority of population engaging in the SSEs industry is youthful and was attribute to high unemployment level in the study area. Therefore, this finding indeed confirms the argument that small scale enterprises offer job opportunities.The finding differs with Buckley(1997) who concluded that there was little evidence to suggest that no significant and sustained impact of microfinance services on client in terms of small enterprises development, increased income flows or employment.

4.3.2 Respondents' Gender

The study further sought to find out the gender distribution among those engaged in SME's. This was meant to establish whether there was gender parity in the SSE industry in Kiminini division. The respondents were therefore asked to indicate their gender and majority (67.91%) were male as indicated in Table 4.3.2.

Table 4.3.2: Respondents' Gender

Gender	Frequency	Percentage
Male	218	67.91
Female	103	32.09
Totals	321	100.00

From Table 4.3.2 majority (67.91%) of the respondents were male while only 32.09% were female among the people with SME's. It can be concluded from the finding that the SSE sector is male dominated in Kiminini division.The finding concurs with what Goetz and Gupta (1994) concluded, that management of loans was done by men hence not making the development objective of the lending of women to be met in order to start SSEs.

4.3.3. The main micro finance institutions used by SSE's

The study sought to establish the micro finance institutions used to disburse funds to SSE's. Thus, members of the SSE's in Kiminini division were asked to state micro finance institutions used to disburse funds to SSE's and majority (26.14%) of the respondents said K-rep as indicated in the in Table 4.3.3.

Table 4.3.3 Micro finance institutions used by SSE's

Micro finance institutions	Frequency	Percentage
Faulu Kenya	34	10.59
Kenya Rural Enterprise Programme (K-rep)	174	54.21
Kenya Women Finance Trust (KWFT)	84	26.17
Small and Microfinance Enterprise Programme (SMEP)	16	4.98
Platinum Credit	13	4.05
Total	321	100.00

From Table 4.3.3 majority (54.21%) of the SSE's received their business initiation credit facilities from K-rep; 10.59% said from Faulu; 26.17% said from Kenya Kenya Women Finance Trust (KWFT) 4.98% from Small and Microfinance Enterprise Programme (SMEP) and the remaining 4.05% from Platinum credit. This finding implies that majority of small scale enterprises in the study area receive loans from K-rep. Therefore, role of these microfinance institutions was to act as channels through which the loans are given to the clients to initiate businesses.This finding concurs with Kamau (2010) who noted that among pioneer MFIs in Kenya was K-Rep.

4.3.4 Type of Enterprise

The study sought to establish the common type of business the various SSE's engage in so as to provide an overview of the operations taking place in the SSE sector in the Kiminini division. The finding reveals that the most common business type (40.81%) was provision of services such as M-Pesa, food kiosks, saloons as indicated in the Table 4.3.4.

Table 4.3.4: Type of Enterprise engaged in by the respondents

Type of Enterprise	Frequency	Percentage
Cloths and shoes	58	18.07
Electronics/Accessories	41	12.77
Bookshop	3	0.94
Service	131	40.81
Construction	34	10.59
Cosmetics	14	4.36
Farming	8	2.49
Others	32	9.97
Totals	321	100.00

These findings in Table 4.3.4 are reflective of the nature of business different SSE establishments engage in in Kiminini division. The means from the table above suggest that a majority (40.81%) of the SSEs engage in the provision of services (M-PESA, Shoe polishing, hotels, barber shop etc). Others engage in selling of clothes and shoes (18.07%), electronics/accessories (12.77%) and in construction (10.59%). A few of the respondents also engaged in small scale commercial farming (2.49%), selling of cosmetics (4.36%), and the 'others' (9.97%). Those engaged in the selling of books recorded the lowest percentage (0.94%) which shows that very few SSEs engage in the sector.This implies that the health of SSEs enterprises economy and its feture depends on the type of enterprise.This supports what Mead(1998) suggested that the health of the economy as a whole has astrong relationship with the health and nature of small enterprises sector.

4.3.5 Respondents' marital status

The researcher asked the respondents to indicate whether they were single, married, separated or widowed during the initiation of their enterprise. The results are as summarized in Table 4.3.5.

Table 4.3.5: The respondents' marital status

Gender	Frequency	Percentages
Single	116	36.14
Married	164	51.09
Separated	26	8.10
Widowed	15	4.67
Total	321	100.00

Table 4.3.5 shows that 164 (51.09%) of the respondents were married by the time they initiated their respective enterprises. However 116 (36.14%) of them reported that they were living single lives as heads of their households. Only 26 (8.10%) and 15 (4.67%) respectively observed that they were either separated or widowed. This implies that the SSEs initiated through use of loans from micro finances play a crucial role in running of families in Kiminini division.This means the SSEs expansion or growth is influenced by the family needs.This finding concurs with zeller and Sharma(1998), who argued that microfinance can aid in the improvement or

establishment of family enterprise ,potentially making the difference between elleviating poverty and economically secure life

4.3.6 Family size

To determine the family size of the respondents the researcher asked them to state the number of children in their household at the time they initiated their SSE's. The results are as summarised in Table 4.3.6.

Table 4.3.6: Respondents family size

No of children	Frequency	Percentages
None	119	37.07
Less than 3	131	40.81
Between 3 and 5	64	19.94
More than 5	7	2.18
Total	321	100.00

The majority of the respondents had families consisting of less than three children (40.81%). Table 4.3.6 also shows that 19.94% had between three and five children while only (2.18%) had more than five children. This implies that more responsibilities particularly for married respondents who have to combine both productive as well as the reproductive work did drive them into starting the businesses.

4.4. Influence of loans disbursement on growth of small enterprises

Accessing credit is considered to be an important factor in increasing the growth of SSEs. It is thought that credit augment income levels, business expansion, competitiveness increase sales volume and thereby more profits. It is believed that access to credit enables SSEs to overcome their liquidity constraints and undertake investments. The main objective of microcredit is to improve the welfare of the low income earners as a result of better access to small loans that are not offered by the formal financial institutions. This necessitated the researcher to determine the influence of loans disbursements on growth of small enterprises.

4.4.1 Assessing criteria used to give out loans

The researcher asked the respondents to state the criteria used by micro finance institutions to give loans to SSE's. The results are as summarized in Table 4.4.1.

Table 4.4.1 Criteria used by micro finance institutions to give out loans

Criteria	Frequency	Percentage
Land security	38	11.84
Other valid documents of property ownership	84	26.17
Repayment capacity	82	25.55
Guarantors	117	36.44
Total	321	100.00

The frequency distribution Table 4.4.1 depicts that 36.44% of the SSE owners observed that to obtain a loan you need to have guarantors. There others who observed that one needed to have a land title deed (11.84%), other valid documents of property ownership (26.17%), or you must show the ability to repay the loan (25.55%). This implies that most SSE's had guarantors who were financially stable to guarantee them for a loan.The findings differs with (Yunus2007,Wahid,1994) who traced the inception of microfinance loan fund system which provided small loans with no collaterals (criteria).

4.4.2 Whether SSEs Could Afford Collaterals Requested

The study further established whether the SMEs benefiting from the micro finance institutions loans could afford availing the collaterals as required by the lending institutions.

Table 4.4.2: Whether SMEs could afford collaterals requested

Response	Frequency	Percentage
No	189	58.88
Yes	132	41.12
Totals	321	100.00

It was established that majority of the respondents (58.88%) could not afford the collaterals, with only 41.12% being able to afford the collaterals. This is a possible explanation for the low numbers of SSEs sourcing their capital from the MFIs. It therefore goes that most of the requirements as collateral for loan application cannot be afforded by most SSEs, hence opting for cheaper sources of capital.The findings are in total disagreement with Wenne (1995) who argued that "micro-credi is most often extended without traditional collaterals"If physical collateral were requirement for borrowing, most MFIs clients would be unable to participate due to their extreme poverty levels.

4.4.3. Micro finance institutions loan disbursement procedures and accessibility

The study further sought to establish whether micro finance institutions disbursement procedures influence the growth of SME\s. The respondents were asked to indicate their level of agreement or disagreement with the given statements. The responses were recorded in the Table 4.4.3.

Table 4.4.3: Micro finance institution loan disbursement procedures and accessibility

Statement	Percentages (%)					
	SA	A	NS	D	SD	Totals
Repayment rules and procedures influence accessibility of MFI loans	193 (60.13%)	72 (22.43%)	4 (1.25%)	40 (12.46%)	12 (3.73%)	321 (100%)
Application procedures influence accessibility of MFI loans	188 (58.57%)	63 (19.63%)	13 (4.05%)	49 (15.26%)	8 (2.49%)	321 (100%)
Type of business influence accessibility of MFI loans	72 (22.43%)	138 (42.99%)	8 (2.49%)	40 (12.46%)	63 (19.63%)	321 (100%)
Duration of processing the application influence the accessibility of MFI loans	49 (15.26%)	72 (22.43%)	36 (11.22%)	22 (6.85%)	142 (44.24%)	321 (100%)

NB: SA-Strongly agree, A-Agree, NS-Not sure, D-Disagree, SD-Strongly disagree

Majority of the respondents (82.56%) agreed or strongly agreed that the repayment procedures and rules influence the accessibility of micro finance institution loans. A total of 16.19% strongly disagreed or disagreed while 1.25% was not sure. Majority of respondents (78.2%) felt that the application procedures influence the accessibility of micro finance institution loan for project development. Only 17.75% of the respondents disagreed or strongly disagreed that the application formalities and procedures influence the accessibility of micro finance institution loan for project development. However, 4.05% of the respondents were not sure. Majority of the respondents (65.42%) strongly agreed or agreed that the type of business influence accessibility of micro finance institutional loans, with only 32.09% either strongly disagreeing or agreeing.

Lastly, most of the respondents (37.69%) agreed or strongly agreed that the duration taken in processing the micro finance institution loan applications did not have an influence project development. Those that disagreed or strongly disagreed were only 51.09% while 11.22% were not sure. This implies that microfinance loan disbursement is majorly influenced by repayment procedures and rules, the loan application procedures and type of business and not the duration of processing the loan.

The findings had a lot similarity with Maalu(2010) who suggested that operating costs leads to increased interest rates for loans compared compared to MFIs operating in developed countries.On the other hand ,Buckley (1997) differed in his finding where he argued that the indicators of success of micro-credit programmes namely high payment rate ,outreach and financial sustainability does not take into consideration what impact it has on microenterprise operations and only focusing on “Microfinance evangelism’.

4.5 The influence of micro finance institution training on the growth of SSE’s

To determine the influence of micro finance institution training on growth of SSE’s, the researcher analysed data collected on micro finance institution trainings, reasons why the beneficiaries never attended business growth trainings and the influence these trainings had on growth of SSE’s in Kiminini division. This was summarized in the following sub-sections.

4.5.1 Micro finance institution trainings related to growth of SSE’s

This research analyzed technical/ entrepreneurial training related to growth of SSE’s attended by the owners of the SSE’s in Kiminini division.

Table 4.5.1: Whether entrepreneurs have attended any MFI’s technical/ entrepreneurial training related to enterprise initiation

Response	Yes	No	Total
Kiminini	54 (16.82%)	133(41.43%)	187(58.26%)
Matunda	11 (3.43%)	14(4.36%)	25(7.79%)
Sikhendu	30 (9.35%)	39(12.15%)	69(21.49%)
Baraton	13 (4.05%)	19(5.92%)	32(9.97%)
Weonie	3 (0.93%)	5(1.56%)	8(2.49%)
Totals	111(34.58%)	210(65.42%)	321(100.00%)

According to Table 4.5.1 majority 111(34.58%) of participants had attended micro finance institution trainings related to their businesses growth, while 210(65.42%) indicated that they have not attended a technical training organized by a micro finance institution in line with their business operations. This finding was supported by one of the micro finance institution official who observed that:

> "….but at times we give the funds to SSE's without training the owners on how to utilize them. We assume that they might have undergone training in other institutions on how to initiate and grow their businesses."

This implied that most SSE owners in Kiminini division were being operated by owners who have little or no technical/ entrepreneurial knowledge on enterprise initiation and growth.

4.5.2. Why SSE owners had not attended the technical/ entrepreneurial training

The study also sought to establish why some SSE owners had not attended the technical/ entrepreneurial training provided by the micro finance institutions related to their business growth. The data was collected in this regard, analyzed and presented as shown in Table 4.5.2

Table 4.5.2: Reasons why SSE owners had not attended the technical/ entrepreneurial training related to their business growth

Reason	Frequency	Percentage
There were no training opportunities	82	25.55
Lacked finance to meet cost of training	98	30.53
Time constrain	127	39.56
Lack of awareness about the trainings	14	4.36
Totals	321	100.00

The results as shown in Table 4.5.2 indicated that; 25.55% of respondents stated that there were no training opportunities in the division. The study also established that training offered by micro finance institutions targeted only a few people hence leaving out many enterprise owners due to lack of finance to meet cost of training(30.53%) . Majority of the respondents (39.56%) observed that they did not have time for trainings undertaken by the micro finance institutions due to their busy schedule. A very small group of the respondents (4.36%) stated that there was no awareness of the micro finance institutions enterprise initiation and growth trainings within the division.

This implies that nonattendance of enterprise initiation trainings led to lack of technical knowledge, inadequate managerial skills, lack of planning and lack of market research in the SME's, hence poor uptake of micro finance institutions loans for business initiation and growth. The findings were similar to a study carried out by Woldie (2008), on perceptions of business challenges facing Malaysian SMEs, which indicated that factors related to human capital (lack of managerial and marketing skills as well as low labour productivity) were observed to be the greatest challenge facing the business initiation and growth.

4.5.3. Whether micro finance institutions trainings influenced growth of SME's

To determine the influence of micro finance institutions trainings on SME's, the researcher asked the respondents to state whether the training(s) had an influence on the growth of SME's. The results are as summarized in Table 4.5.3.

Table 4.5.3: Whether micro-finance institutions trainings influenced growth of SME's

Response	Kiminini	Matunda	Sikhendu	Baraton	Weonie	Total
Yes	116(36.14%)	14(4.36%)	37(11.53%)	23(7.16%)	4(1.25%)	194(60.44%)
No	46(14.33%)	9(2.81%)	22(6.85%)	8(2.49%)	2(0.62%)	87(27.10%)
Don't know	25(7.79%)	2(0.62%)	10(3.12%)	1(0.31%)	2(0.62%)	40(12.46%)
Total	187(58.26%)	25(7.79%)	69(21.50%)	32(9.96%)	8(2.49%)	321(100%)

According to Table 4.5.3 majority 194(60.44%) of respondents observed that the trainings organized by micro finance institutions had a positive impact on growth of their businesses. Majority of SME's from Kiminini location 116(36.14%) observed that business trainings organized by micro finance institutions had a positive impact on growth of their businesses. Only 87(27.10%) observed that the trainings had no influence on initiation of their businesses. This implies that trainings organized by micro finance institutions do play a crucial role on growth of small enterprises. Thus there is need to organize for frequent trainings on initiation and growth of small business enterprises.The finding was in support with the Sessional paper No 2 of 2005 which proposed the intergration of interpreneurial training into the countrys education system.

The researcher further asked the respondents to state the type of influence these trainings had on their business. The results are as summarized in Table 4.5.4.

Table 4.5.4:The type of influence micro finance institution trainings had on SSEs

Influence of micro finance institutions trainings on SSE’s	Frequency	Percentage
Increase Stock	286	89.10
Opening more branches of the same business	22	6.85
Branding	5	1.56
Marketing	26	8.10
Survival	38	11.84

NB: The total exceeds the sample size due multiple responses

The results as shown in Table 4.5.4 indicate that majority (89.01%) of respondents felt that micro finance institutions trainings had an influence on growth of SSE’s in Kiminini division. A very small group of the respondents (1.56%) observed that micro finance institutions trainings influenced branding of the business while 8.10% of the respondents felt the micro finance institutions loans was for marketing. This implies that micro finance institutions trainings are critical to enterprise initiation and growth since the findings indicate that they lead increase in sales and survival.The findings concurs with that of King and McGrath (2002) which suggested that those with more education and training are more likely to be successful in SSEs sector.

4.6. Whether savings influences the growth of small enterprises

The study established whether saving with micro finance institutions influenced the growth of SSEs in the county. The responses were analysed and presented in Table 4.6.1.

Table 4.6.1: Whether savings influences the growth of small enterprises

Responses	Frequency	Percentage
Savings come with good interest	32	9.97
Savings aids me to get loans for my business	230	71.65
Savings assists in stocking of the business	252	78.51
Savings determine the amount of loan received	63	19.63
Savings can act as collateral for business loan	112	34.89

NB: The total exceeds the sample size due multiple responses

Table 4.6.1 illustrates that 71.65% of members felt that savings aided them in getting loans for my business from micro finance institutions. Many of the respondents (78.51%) too felt that savings assisted them in stocking their businesses. Only 9.97%, 19.63% and 34.89% observed that savings came with good interest, savings determined the amount of loan received and savings acted as collateral for business loans respectively. This implies that savings were made by the SME owners due to different reasons. This reasons were to some extend geared towards aiding in the growth of their businesses, most especially aiding them in getting loans and stocking their businesses.The findings differs with what Daniel,Mead and Musinga (1995)found out ,that almost 95% of the entrepreneurs used saving as aprimary source of working capital.

4.7. Influence of micro-finance institutions insurance service on the growth of small micro enterprises

The researcher further asked the respondents to state whether micro-finance institutions insurance service influenced the growth of small micro enterprises. The responses were as summarized in Table 4.7.1

Table 4.7.1: Influence of micro-finance institutions insurance service on growth of small micro enterprises

Influence of micro finance institutions insurance service on SME's	Frequency	Percentage
Micro-finance institutions provides an insurance service to my business	22	6.85
I pay the insurance premium from the profits of my business	28	8.72
Micro-finance institutions insurance service assists me when a disaster strikes my business	2	0.62
I have no insurance policy against disasters for my business	269	83.80
Totals	321	100.00

The results as shown in Table 4.7.1 indicate that majority (83.80%) of respondents observed that they do not have any micro finance institutions insurance. A very small group of the respondents (0.62%) observed that micro finance insurance has once assisted them recover in their business when there was a disaster. A small percentage (6.85%) of the respondents too observed that micro finance institutions provided them with insurance services. The same applied to 8.72% of the respondents who observed that they usually pay the insurance premium from the profits of their business. This implies that majority of the SME's in Kiminini division are not utilizing the micro finance institutions insurance services and hence are easily exposed to disasters which might hinder their growth.The finding differs with Churchill(2006) who referred to micro insurance as a protection of low income people against specific risks in exchange for low premiums and low caps or coverages.

4.7.2 Micro Insurance Policies

The study determined the percentage micro insurance policies taken each year by the respondents. The results are summarized in Table 4.7.2

Table 4.7.2: Micro Insurance policies taken each year by the respondents

Year	Frequency	Percent
2014	26	8.09
2013	35	10.90
2012	39	12.15
2011	45	14.02
2010	54	16.82
Average		12.27

The results in the above Table 4.7.2 show the respondents' percentage of micro insurance policies taken each year. From the table, it can be seen that highest percentage of micro insurance policies 16.82% was taken in 2010, 14.02% of micro insurance policies taken in 2011, 12.15% was taken in 2012, 10.90% was taken in 2013 and 8.09% taken in 2014. This shows that the SMEs are decreasing their use of micro insurance. The findings in this study indicate that micro insurance has a negative effect on the growth of SSEs. This probably explains why most SSEs do not demand for micro insurance as most of the respondents said that they do not insure their businesses because of the difficulties involved in providing the information required by the Microfinance Institutions to process their claims in the event of an insured risk. It can also be concluded that the findings concurs with Koech (2011) that the factors affecting growth were lack of insurance policies, capital access, collateral requirements, information access, and cost of registration. This also corroborates with Mbithe (2013) who observed that many micro entrepreneurs were not using micro insurance in Kenya.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The summary of research findings, conclusions and recommendations are presented under themes derived from the objectives of this study. These are: to determine the influence of loans disbursement on initiation growth of small enterprises; to assess influence of training on growth of small enterprises; to establish whether saving influences the growth of small enterprises and lastly, to establish the influence of micro-finance insurance service on the growth of small micro enterprises in Kiminini Division. The purpose of this study was to investigate the influence of micro-finance services on growth of small enterprises in Kiminini Division, Trans-Nzioa County. The study had a questionnaire response rate of 93.31%. The high response rate could be attributed to the fact that, questionnaires were retrieved as soon as they had been completed. The study also covered an area that SSE's were very conversant with and they were therefore willing to share their opinions.

5.2 Summary of Research Findings

Most respondents fell within the age bracket of 23-27 years. This implies that the overall population engaging in the SSEs industry is youthful. The study also established that the males (67.91%) were more than their female counterparts (32.09%) among the people with SSE's. This showed that the SSE sector in Kiminini division was male dominated. Most of the SSE enterprises received their business initiation credit facilities from the following financial institutions; Faulu Kenya (10.59%), Kenya Women Finance Trust (KWFT) (26.17%), Kenya Rural Enterprise Programme(K-rep) (54.21%), Small and Microfinance Enterprise Programme (SMEP) (4.98%) and Platinum credit (4.05%). The role of these banks was to act as channels through which the loans are given to the clients to initiate businesses. Majority (40.81%) of the SSEs engage in the provision of services. Others engage in selling of cloths (18.07%), electronics/accessories (12.77%) and in construction (10.59%). A few of the respondents also engaged in the selling of shoes (2.49%), selling of cosmetics (4.36%), and the 'others' (9.97%). Those engaged in the selling of books recorded the lowest percentage (0.94%) which shows that very few SSEs engage in the sector. Majority of the respondents were married by the time they initiated their respective enterprises.

However 116 (36.14%) of them reported that they were living single lives as heads of their households. This implies that the SSEs initiated through use of loans from micro finances play a crucial role in running of families in Kiminini division. The majority of the respondents had families consisting of less than three children (40.81%). This implies that more responsibilities particularly for married respondents who have to combine both productive as well as the reproductive work did drive them into starting the businesses.

Majority (36.44%) of the SSE owners observed that to obtain a loan you need to have guarantors. There were others who observed that for one to get a loan for business growth one needed to have a land title deed (11.84%), other valid documents of property ownership (26.17%), or you must show the ability to repay the loan (25.55%). This implies that most SSE's had guarantors who were financially stable to guarantee them for a loan. It was established that majority of the respondents (58.88%) could not afford the collaterals, with only 41.12% being able to afford the collaterals. This is a possible explanation for the low numbers of SSEs sourcing their capital from the MFIs. It therefore goes that most of the requirements as collateral for loan application cannot be afforded by most SSEs, hence opting for cheaper sources of capital. Majority of the respondents (82.56%) agreed or strongly agreed that the repayment procedures and rules influence the accessibility of micro finance institution loans. Majority of respondents (78.2%) also felt that the application procedures influence the accessibility of micro finance institution loan for project development. It was further established that majority of the respondents (65.42%) strongly agreed or agreed that the type of project influence accessibility of micro finance institution, with only 32.09% either strongly disagreeing or agreeing. Lastly, most of the respondents (37.69%) agreed or strongly agreed that the duration taken in processing the micro finance institution loan applications did not have any influence on project development.

Majority 111(34.58%) of participants had attended micro finance institution trainings related to their businesses growth, while 210(65.42%) indicated that they have not attended a technical training organized by a micro finance institution in line with their business operations. This implied that most SSE owners in Kiminini division were being operated by owners who have little or no technical/ entrepreneurial knowledge on enterprise initiation and growth. Only 25.55% of respondents stated that there were no training opportunities in the division.

The study also established that training offered by micro finance institutions targeted only a few people hence leaving out many enterprise owners that could benefit more from such training. Majority of the respondents (39.56%) observed that they did not have time for trainings undertaken by the micro finance institutions due to their busy schedule. A very small group of the respondents (4.36%) stated that there was no awareness of the micro finance institutions enterprise initiation and growth trainings within the division. This implied that nonattendance of enterprise initiation trainings led to lack of technical knowledge, inadequate managerial skills, lack of planning and lack of market research in the SSE's, hence poor uptake of micro finance institutions loans for business initiation and growth. Majority 194(60.44%) of respondents observed that the trainings organized by micro finance institutions had a positive impact on growth of their businesses. Only 87(27.10%) observed that the trainings had no influence on initiation of their businesses. Majority (89.01%) of respondents further felt that micro finance institutions trainings had an influence on growth of SSE's in Kiminini division. This implied that micro finance institutions trainings are critical to enterprise initiation and growth.

Majority (71.65%) of SSE's felt that savings aided them in getting loans for their business from micro finance institutions. Many of the respondents (78.51%) too felt that savings assisted them in stocking their businesses. This implied that savings were made by the SSE owners due to different reasons. This reasons were to some extend geared towards aiding in the growth of their businesses, most especially aiding them in getting loans and stocking their businesses.

Majority (83.80%) of respondents observed that they do not have any micro finance institutions insurance. A very small group of the respondents (0.62%) observed that micro finance insurance has once assisted them recover in their business when there was a disaster. A small percentage (6.85%) of the respondents too observed that micro finance institutions provided them with insurance services. The same applied to

8.72% of the respondents who observed that they usually pay the insurance premium from the profits of their business. This implied that majority of the SSE's in Kiminini division are not utilizing the micro finance institutions insurance services and hence are easily exposed to disasters which might hinder their growth.

5.3 Conclusion

The study has established the influence of micro-finance services on growth of small enterprises in Kiminini Division, Trans-Nzioa County. Data have been analyzed by applying both descriptive and inferential. Only a small percentage of the SSEs in Kiminini division are beneficiaries of the micro-finance institutions loaning services. It can also be concluded that to obtain a loan one needed to have guarantors which implied that most SSE's had guarantors who were financially stable to guarantee them for a loan. For those who did not have guarantors could not access micro-finance institutions loaning services. It was also established that majority of the SSE's could not afford the collaterals in order to secure loans. This is a possible explanation for the low numbers of SSEs sourcing their capital from the micro-finance institutions. It was also established that the repayment procedures and rules influence the accessibility of micro finance institution loans for project development. The type of project also influenced accessibility of micro finance institution loans.

It was established that majority of SSE's had not attended micro finance institution trainings related to their businesses growth. This implied that most SSE owners in Kiminini division were being operated by owners who have little or no technical/ entrepreneurial knowledge on enterprise initiation and growth. It was also established that some of the SSE's had no time for trainings undertaken by the micro finance institutions due to their busy schedule. This implied that nonattendance of enterprise initiation trainings led to lack of technical knowledge, inadequate managerial skills, lack of planning and lack of market research in the SSE's, hence poor uptake of micro finance institutions loans for business initiation and growth. It was established that micro finance institutions had a positive impact on growth of their businesses. This implied that micro finance institutions trainings are critical to enterprise initiation and growth.

The study also established that savings aided the SSE's in getting loans for their business from micro finance institutions. It was established that savings assisted the SSE's in stocking their businesses. This implied that savings were made by the SSE owners due to different reasons. Some of the reasons were to some extend geared towards aiding in the growth of their businesses, most especially aiding them in getting loans and stocking their businesses.

The study established that most SSE's do not have any micro finance institutions insurance. This implied that the SSE's in Kiminini division do not utilize the micro finance institutions insurance services and hence are easily exposed to disasters which might hinder their development.

5.4 Recommendations for Policy

In view of the findings made and conclusions drawn from the study the following recommendations are provided to help enhance an accelerated and sustained growth in the SSE sector and also provide recommendations to help in the improvement of the services of micro finance institutions. There is need for the government and other partners to facilitate the accessibility of credit in Small enterprises to the Microfinance Institutions and minimize the collateral and guarantor conditions.

There needs to be a policy that all people engaged in SSE’s must undergo some attended micro finance institution training before they are issued with a business license. This will assist the SSE owners in Kiminini division to possess a little of technical/ entrepreneurial knowledge on enterprise initiation and growth.

Finally, the researcher recommended that in order to reduce the rate of default, microfinance institutions can research into very profitable business lines and offer credit to clients who have the capacity to exploit such business lines. SSEs should embrace saving s on daily basis especially a percentage of the daily profit , .

5.5 Areas for Further Research

1. There is a need for further research to be undertaken the role of microfinance institutions to the economy of the country and also how they can contribute to the poverty reduction of the low income people.
2. An assessment of the effectiveness of MFI sponsored credit programmes for SSE enterprises towards promotion of low income people in the country.
3. In addition, it will be interesting to explore ways the government can promote the accessibility of SSEs on credit of Microfinance Institutions
4. Micro-finance access and poverty reduction in Kenya

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APPENDIX I: LETTER OF TRANSMITTAL

University of Nairobi,

P.O. 30197 - 00100,

Nairobi - Kenya

Dear Respondent,

RE:INTRODUCTORY LETTER FOR DATA COLLECTION.

My name is Gerald Nakhungu Malala. I am a student at the University of Nairobi undertaking a degree in Masters of Arts in Project Planning and Management. I am undertaking a research project entitled: **influence of micro-finance services on the growth of small enterprises in Kiminini Division, Trans-Nzoia County, Kenya.** You have been selected to participate in this study to obtain your perceptions and views regarding various aspects of the growth of small enterprises. There are no good or wrong answers but your honest participation in answering the questions will assist in establishing the influence of micro-finance services on the growth of small enterprises in Kiminini Division, Trans-Nzoia County, Kenya. The information provided will be treated confidentially.

Thank you in advance.

…..………………………………...   …………….……….…..…

Gerald Malala,   Date

MA student. L50/71727/2014

University of Nairobi.

APPENDIX II: QUESTIONNAIRE FOR DATA COLLECTION FROM SMALL SCALE ENTERPRISES

Dear respondent, we would be very grateful if you could spend some time to respond to these questions for us. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential. Please, tick [√] or fill in as appropriate.

A. Demographics (To provide a detailed profile of Small Enterprises)

1. In which age bracket do you belong to?

    Age bracket

    18 – 22 ( )

    23 – 27 ( )

    28 – 32 ( )

    33 – 37 ( )

    Above 37 ( )

2. What is your Gender?

    Male ( )

    Female ( )

3. Which Micro finance institutions did you use in acquiring the loan for your business?

    Faulu Kenya ( )

    Kenya Rural Enterprise Programme (K-rep) ( )

    Kenya Women Finance Trust (KWFT) ( )

    Small and Microfinance Enterprise Programme (SMEP) ( )

    Platinum Credit ( )

4. Which type of business do you engage in?

Cloths and shoes ( )

Electronics/Accessories ( )

Bookshop ( )

Service ( )

Construction ( )

Cosmetics ( )

Farming ( )

Others ( )

s

5. What is your marital status?

Single ( )

Married ( )

Separated ( )

Widowed ( )

6. How many siblings do you have ?

None ( )

Less than 3 ( )

Between 3 and 5 ( )

More than 5 ( )

Influence of loans disbursement on growth of small enterprises

7. Which criterion was used by micro finance institutions to give you a loan from the MFI?

Land security	( )
Other valid documents of property ownership	( )
Repayment capacity	( )
Guarantors	( )

8. Do you afford collaterals requested by the micro finance institutions?

No	( )
Yes	( )

To what extent do you agree or disagree with the following statements?

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
9. Repayment rules and procedures influence accessibility of MFI loans	( )	( )	( )	( )	( )
10. Application procedures influence accessibility of MFI loans	( )	( )	( )	( )	( )
11. Type of business	( )	( )	( )	( )	( )

influence accessibility of MFI loans					
12. Duration of processing the application influence the accessibility of MFI loans	( )	( )	( )	( )	( )

Influence of micro finance institution training on the growth of SSE's

13. Have you ever attended any technical/ entrepreneurial training related to enterprise initiation?

    Yes ( )

    No ( )

14. Why do some of the small scale business owners fail to attend trainings related to their business growth?

    There were no training opportunities ( )

    Lacked finance to meet cost of training ( )

    Time constrain ( )

    Lack of awareness about the trainings ( )

15. Has the micro-finance institutions trainings influenced growth of your business?

    Yes ( )

    No ( )

    Don't know ( )

16. Which influence do the micro finance institutions trainings had on your business

Increase Stock	( )
Opening more branches of the same business	( )
Branding	( )
Marketing	( )
Survival	( )

Influence of savings on the growth of small enterprises

17. How has savings influenced the growth of your small enterprises?

Savings come with good interest	( )
Savings aids me to get loans for my business	( )
Savings assists in stocking of the business	( )
Savings determine the amount of loan received	( )
Savings can act as collateral for business loan	( )

Influence of micro-finance institutions insurance service on the growth of SSE's

18 Do you agree or disagree with the following sentences?

	Yes	No
18. Micro-finance institutions provides an insurance service to my business	( )	( )
19. I pay the insurance premium from the profits of my business	( )	( )
20. Micro-finance institutions insurance service assists me when a disaster strikes my business	( )	( )
21. I have no insurance policy against disasters for my	( )	( )

business

22. Did you take the micro insurance policies in the following years?

Year	Yes	No
2010	( )	( )
2011	( )	( )
2012	( )	( )
2013	( )	( )
2014	( )	( )

APPENDIX III: INTERVIEW SCHEDULE FOR MICRO-FINANCE INSTITUTIONS

I would be very grateful if you could spend some time to respond to these questions for us. You are assured that any information provided would be used for academic purposes only and will be held strictly confidential.

Please, tick [√] or fill in as appropriate.

1. When did your micro finance Institution begin operations?

....

2. What was the main objective for establishing this Micro Finance Services?

....

3. What services do you provide?

Savings [ ] Loan/Credit [ ] Investment [ ]

Non - financial services [ ] others (Please specify).............................

4. Which category of small scale enterprises serve as your target market?

Manufacturing [ ] Commerce [ ] Service [ ] others (Please specify)................

5. Which category of small scale enterprises patronizes your products the most?

Manufacturing [ ] Commerce [ ] Service [ ] others (Please specify).................

6. What challenges do you face in doing business with SSE? ....

7. How often do your regular clients request for credit?

Not Often [ ] Often [ ] Very Often [ ] Not sure [ ]

8. As per your evaluation, do loans granted lead to growth in their businesses?

Yes [ ] No [ ]

9. In your own evaluation, do you think clients use all loans granted for business activities?

Yes [ ] No [ ]

10. If no, what activities do you know clients use the loans for?

....

11. Kindly suggest how credit misappropriation can be avoided.

....

12. Kindly provide suggestions as to how credits and other non-financial services provided for small scale enterprises can be improved?

....

13. Do you know about the activities of small scale enterprises?

Yes [ ] No [ ]

14. What kind of credit facility do you offer?

Long term [ ] Medium term [ ] Short term [ ]

15. What percentage of loans requested do you grant?

100 per cent [ ] 75-99 per cent [ ] 50-74 per cent Less than 50 percent [ ]

16. How long does it take to process and disburse credits?

Less than a week [ ] 1-2 weeks [ ] 2 -3 weeks [ ] 3-4 weeks [ ] above 4 weeks

17. What are your criteria for providing credit? ....

18. Do you find the criteria for loan processing cumbersome? Yes [ ] No [ ]

19. Do you always require collateral securities before granting loans to small scale enterprises? Yes [ ] No [ ]

20. What kind of collateral do you request?

Land [ ] House [ ] Car [ ] Shop [ ] Other (Please specify)...................

21. Do small scale enterprises always get the collateral requested?

Yes [ ] No [ ]

22. What percentage of total applicants qualify for loans within a month?

less than 25 [ ] 26 to 50 [ ] 51 to 75 [ ] 76 to 10

THIS IS TO CERTIFY THAT:
MR. GERALD NAKHUNGU MALALA
of UNIVERSITY OF NAIROBI, 1017-30200 kitale,has been permitted to conduct research in *Transnzoia County*

Permit No : NACOSTI/P/15/3597/6019
Date Of Issue : 10th June,2015
Fee Recieved :Ksh 1,000

on the topic: *INFLUENCE OF MICRO-FINANCE SERVICES ON THE GROWTH OF SMALL ENTERPRISES IN KIMININI DIVISION ,TRANS-NZIOA COUNTY,KENYA*

for the period ending:
6th November,2015

....
Applicant's Signature

....
Director General
National Commission for Science, Technology & Innovation

CONDITIONS

1. **You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit**
2. **Government Officers will not be interviewed without prior appointment.**
3. **No questionnaire will be used unless it has been approved.**
4. **Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.**
5. **You are required to submit at least two(2) hard copies and one(1) soft copy of your final report.**
6. **The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice**

REPUBLIC OF KENYA

NACOSTI

National Commission for Science, Technology and Innovation

RESEARCH CLEARANCE PERMIT

Serial No. A 5291

CONDITIONS: see back page

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref: No.

Date: 10th June, 2015

NACOSTI/P/15/3597/6019

Gerald Nakhungu Malala
University of Nairobi
P.O Box 30197-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *"Influence of micro-finance services on the growth of small enterprises in Kiminini Division ,Trans-Nzoia County, Kenya,"* I am pleased to inform you that you have been authorized to undertake research in **Trans Nzoia County** for a period ending **6th November, 2015.**

You are advised to report **the County Commissioner and the County Director of Education, Trans Nzoia County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

DR. M. K. RUGUTT, PhD, HSC.
DIRECTOR-GENERAL/CEO

Copy to

The County Commissioner
Trans Nzoia County.

The County Director of Education
Trans Nzoia County.

THE PRESIDENCY

Telegraphic Address:
Telephone: 054-30720
Fax No: 054 – 31617

MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT

THE DEPUTY COUNTY COMMISSIONER
TRANS NZOIA WEST SUB-COUNTY
P.O. BOX 11
KITALE.

E-MAIL: dctnzoiawest@gmail.com

When replying please quote

25th June, 2015

REF.ADM.15/`10/VOL.I/34

TO WHOM IT MAY CONCERN

REF: RESEARCH AUTHORIZATION
GERALD NAKHUNGU MALALA

The above named person is a student of University of Nairobi authorized to carry out research on "Influnce of micro-finance services on the growth of small enterprises in Kiminini Division, Trans Nzoia West Sub-county

Accord him the necessary cooperation.

MOSES G. GICHARU
AG: DEPUTY COUNTY COMMISSIONER
TRANS NZOIA WEST SUB-COUNTY

C.C.

Director General
Department of Extra-Mural Studies
UNIVERSITY OF NAIROBI

THE PRESIDENCY

Telegraphic Address:
Telephone: 054-30720
Fax No: 054 – 31617

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C.C.

Director General
Department of Extra-Mural Studies
UNIVERSITY OF NAIROBI